

4 Aug 2022

Vinamilk (VNM)

AM Briefing: The worst is over

- On August 4, we tuned in to 2Q22 VNM's analyst meeting which features its 2Q22 operational updates and sheds some light on the 2H22F outlook.

Expected earnings to grow in 3Q22F

- VNM recorded domestic market revenue of VND12,471bn (-5.9% yoy) contributed by the parent's domestic revenue of VND10,994bn (-7.2% yoy) and VND839bn (+6.2% yoy) revenue of MCM in 2Q22.
- The decrease in domestic revenue was caused by weak demand amid high inflation and distribution restructuring in 2Q22. However, VNM has recorded positive signals after restructuring, with revenue growth of 3% and 10% yoy in June and July, respectively, per VNM.
- Foreign markets posted revenue of VND2,459bn (+0% yoy) in 2Q22, in which, overseas subsidiaries reached revenue of VND1,045bn, robust surging 21.7% yoy. Particularly, Driftwood and Angkor Milk delivered sales growth of 40% and 20% yoy respectively due to owning the local factories in these countries allowing VNM to reduce the impact of surging transportation costs.
- On the other hand, direct export revenue went down 11.9% yoy to VND1,415bn owing to the temporary weak purchasing power and elevated freight costs in 2Q22.
- Per VNM, the company stockpiled imported raw milk until October with lower prices, the global milk powder prices have cooled down, and the management expects to benefit in 2H22.
- Per management, the company has increased the average selling price (APS) by 5.5% yoy in 2Q22 to offset the surging in input prices, the last hike was in May 2022, which will affect fully in 3Q22F. VNM has no plans to spike APS in the rest of 2022 and 2023 if input prices are stable.

12M rating **HOLD (Maintain)**

12M TP

Up/Downside

Stock Data

VNIndex (04 Aug, pt)	1,249
Stock price (04 Aug, VND)	73,200
Market cap (USD mn)	6,535
Shares outstanding (mn)	2,090
52-Week high/low (VND)	86,957/62,322
6M avg. daily turnover (USD mn)	7.38
Free float / Foreign ownership (%)	35.2/54.7
Major shareholders (%)	
SCIC	36.0
F&N	17.7
Platinum Victory	10.6

Performance

	1M	6M	12M
Absolute (%)	0.8	(8.9)	(10.1)
Relative to VNIndex (%p)	(3.9)	5.9	(5.1)

Stock price trend



Source: Bloomberg

	2019A	2020A	2021A	2022F	2023F
Sales (VND bn)	56,318	59,636	60,919	65,762	71,517
chg. (% YoY)	7.1	5.9	2.2	7.9	8.8
Operating profit (VND bn)	12,182	12,263	11,760	12,722	14,977
Net profit (VND bn)	10,581	11,099	10,532	10,946	12,603
EPS (VND)	5,426	4,736	4,559	4,686	5,396
chg. (% YoY)	(21.7)	(12.7)	(3.7)	2.8	15.1
EBITDA (VND bn)	14,131	14,472	13,882	10,535	12,726
PE (x)	13.5	15.5	16.1	15.2	13.2
EV/EBITDA (x)	2.6	2.6	2.6	2.6	2.6
PB (x)	4.3	4.6	4.3	3.9	3.6
ROE (%)	37.7	35.5	30.6	30.1	31.8
Dividend yield (%)	6.1	5.2	5.0	5.3	6.1

Note: Net profit, EPS and ROE are based on figures attributed to controlling interest

Hoang Phung

Hoang.pm@kisvn.vn

Reiterate HOLD

We maintain a HOLD rating due to a sluggish outlook in 2022F-23F. We keep our forecast with a VND65.7tn revenue, +7.9% yoy, and a VND10.9tn NPATMI, +3.9% yoy, implying EPS reaches VND4,686 in 2022F and 12MF PE is 15.2x.

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Prepared by: Hoang Phung

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